

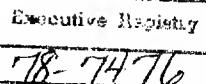
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NFAC #5900-78

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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505



National Intelligence Officers

29 December 1978

M. J. Lehman 1978

MEMORANDUM FOR: Director of Central Intelligence

VIA : Acting Director, National Foreign Assessment Center *Se*

FROM : Richard Lehman
National Intelligence Officer for Warning

SUBJECT : Situations of Concern

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1. Action Requested: None; this memorandum is to alert you to three developing situations that could require your attention in the next few days.

2. Background: Vietnam-China-USSR. We are beginning to see the first indications of a substantial Chinese infantry movement in the south. If we are able to confirm that these movements are indeed taking place and are toward the Vietnamese border, there is at least some possibility that the Soviets will begin military posturing against China. We will want to consider whether to issue an alert memorandum once we know that the Chinese troop movements have taken place. I have asked the troops to notify me and may subsequently be in touch with you.

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3. Iran. The Administration's concentration on the Shah's dilemma and what appears yet again to be the final act in this drama should not blind us to the complex economic consequences of a change of regimes in Iran. OER is engaged in a joint effort with State, Energy, and Treasury at the working level to assess some of these consequences. I am not sure what opportunity the President and his advisers have had to think about these things. I have therefore asked OER to do PDB pieces, probably annexes, over the next few days on the potential impact

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, and on a sort of "worry list" of possible developments in such fields as balance of payments, strength of the dollar, US investments, and of course the long-term international oil market.

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4. Korea. PACOM is somewhat concerned over the activation of a few indicators of North Korean military activity. PACOM would normally view this as we do -- no real pattern and negative returns on all the most important indicators, thus cause for heightened interest but no great concern. PACOM feels slightly more vulnerable, however, because one of its carrier task forces has been diverted south as a contingency preparation against the Iranian situation. We will be watching this closely over the weekend and will alert you if necessary.

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(SIGNED)

Richard Lehman

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